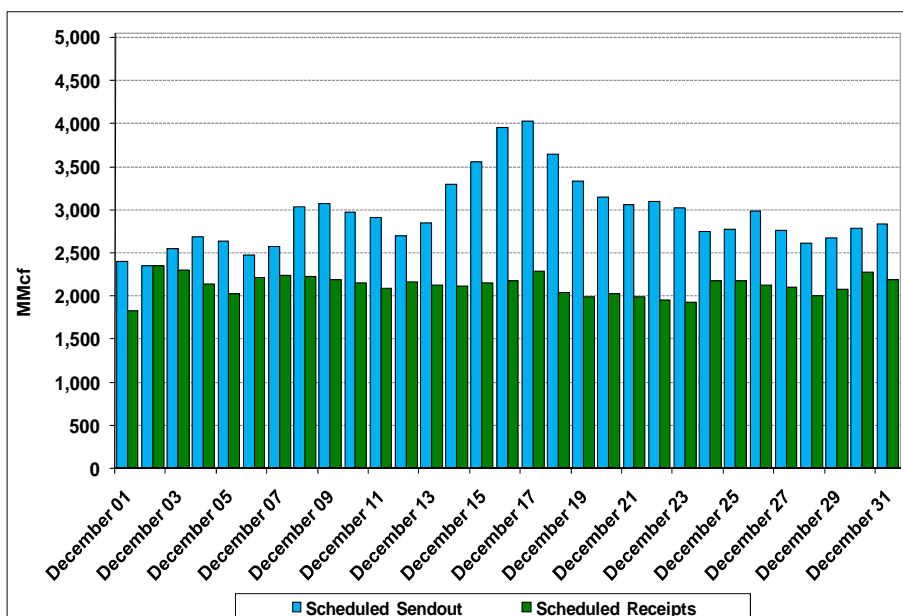




Monthly Natural Gas Report

Prepared by California Energy Commission Staff
Electricity Supply Analysis Division – Electricity Analysis Office
December 2008 – Issue # 3

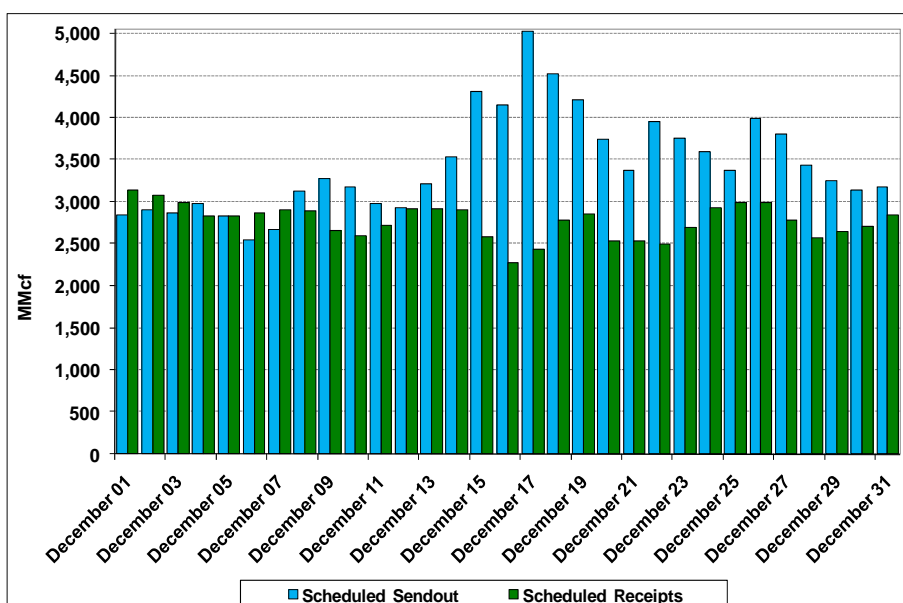
PG&E's Natural Gas Receipts and Deliveries



The coldest temperatures of the season to date hit both California and most of the United States in mid-December, driving up space heating demand for natural gas. Pacific Gas and Electric Co. met this demand with sendouts peaking December 17 at 4,029 million cubic feet (MMcf), or 36% above the average sendout for the month. PG&E receipts for December, charted in green, averaged 2,124 million cubic feet per day (MMcf/d), while scheduled sendouts, charted in light blue, averaged 2,954 MMcf/d. As a result, PG&E depleted its inventories by 25,772 MMcf, the largest net sendout since January 2008. This chart for PG&E, as well as the SoCalGas chart below, closely estimate natural gas scheduled for sendout and receipt each day using data provided by both utilities.

Prepared by CEC Staff 1/05/2009

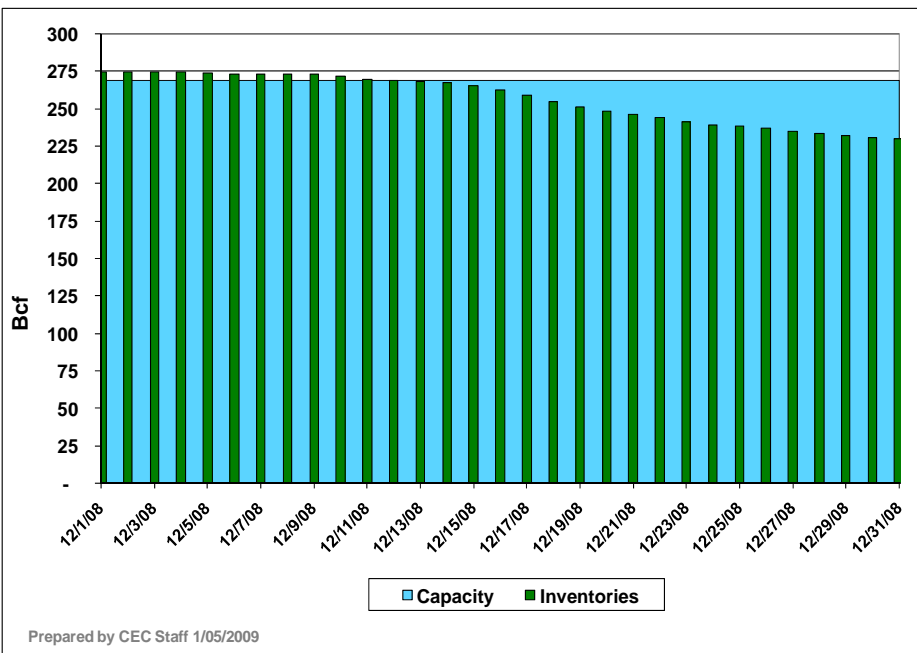
SoCalGas' Natural Gas Receipts and Deliveries



The same mid-December Arctic cold front also prompted Southern California Gas Co. to meet spiking demand for natural gas to fuel furnaces and other space heating equipment. Consequently, sendouts peaked December 17 at 5,025 MMcf, or 46% more than the month's average sendout. SoCalGas receipts for December, charted in green, averaged 2,767 million cubic feet per day (MMcf/d), while scheduled sendouts, charted in light blue, averaged 3,438 MMcf/d. As a result, SoCalGas depleted its inventories by 20,804 MMcf; like PG&E, this is the largest net sendout since January 2008.

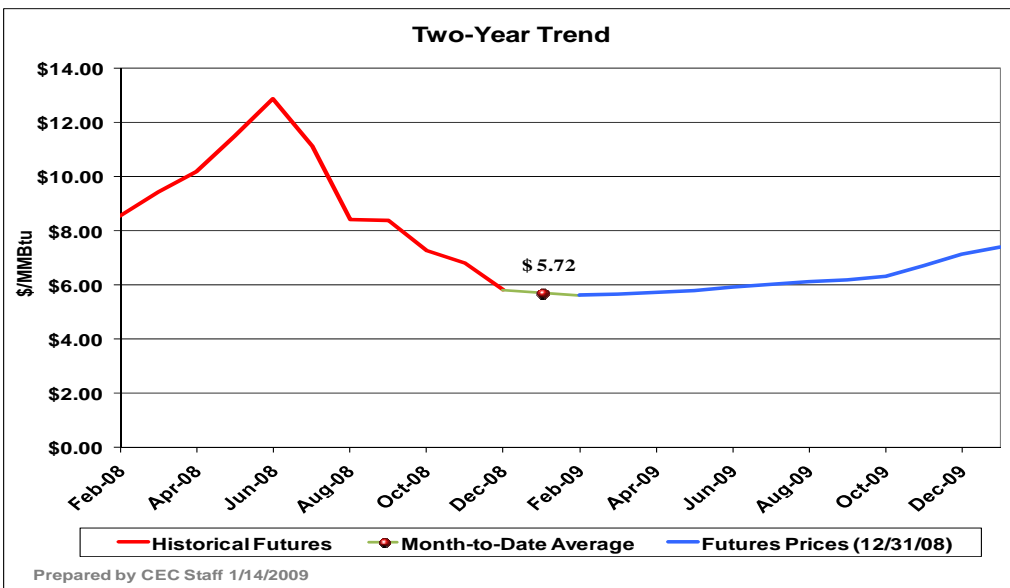
Prepared by CEC Staff 1/05/2009

California Daily Storage Inventories



Consistent with the large net sendouts of both utilities, daily natural gas inventories, charted in green, fell 13.3% from December 15 to December 31, as the mid-month's chilly weather spread across California. As noted in previous issues of this report, the natural gas utilities pursue a policy of maximizing these inventories during the milder months, when natural gas prices are usually lower, in order to have them available to meet the high winter demand typified last December.

Historical & Futures Settlement Prices



Henry Hub December Average Futures Prices

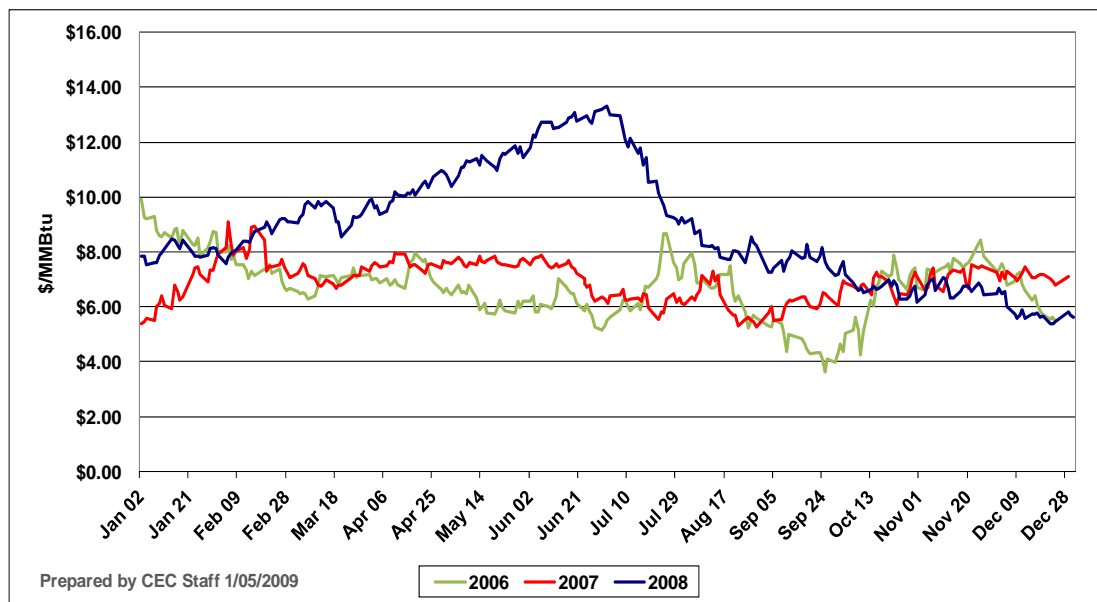
Dec	\$	Dec	\$
1	6.64	16	5.78
2	6.45	17	5.67
3	6.37	18	5.61
4	6.05	19	5.38
5	5.77	22	5.33
8	5.61	23	5.78
9	5.63	24	5.92
10	5.75	26	5.81
11	5.66	29	6.08
12	5.52	30	5.86
15	5.68	31	5.62

December Daily Average	\$ 5.82
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The December Daily Average is the non-weighted average of natural gas futures prices at the close of each day.

The average monthly price history for natural gas futures traded on the New York Mercantile Exchange (NYMEX), futures which are standardized for delivery to Henry Hub, Louisiana, and are charted in red, peaked June 2008 at \$12.87/MMBtu, and then began a six-month fall to a December 2008 monthly average price of \$5.97/MMBtu, charted in green. Prices for futures contracts traded December 31, 2008, and expiring through December 2009, charted in blue, have fallen \$0.68 to \$0.95 from prices for the same futures on November 28, 2008. The latter prices are provided in the November 2008 issue of this report.

Henry Hub, Louisiana, Daily Spot Price

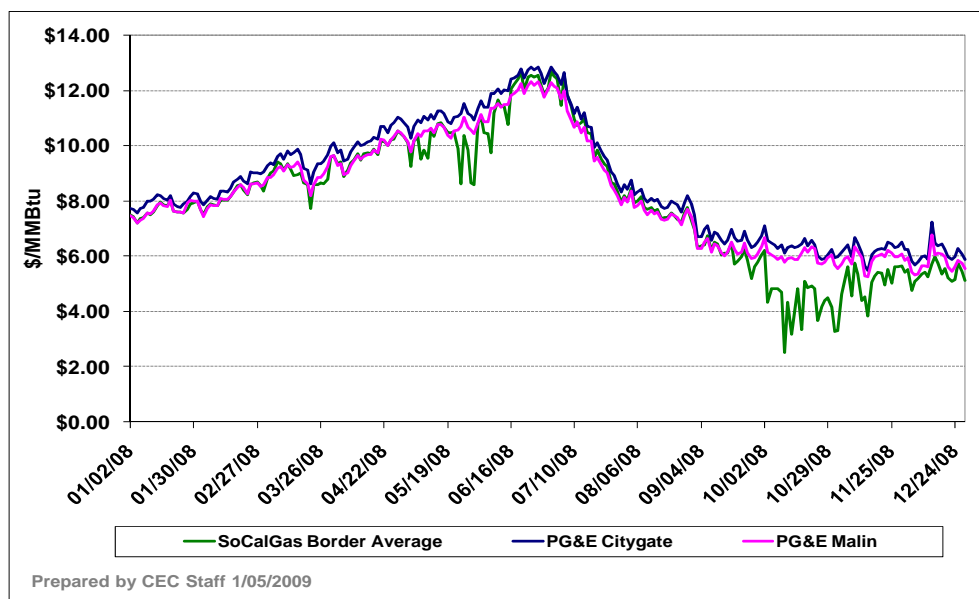


Daily Data

Dec	Henry Hub
1	6.48
2	6.68
3	6.48
4	6.55
5	5.99
8	5.73
9	5.57
10	5.68
11	5.87
12	5.56
15	5.75
16	5.75
17	5.79
18	5.63
19	5.66
22	5.39
23	5.38
24	5.44
29	5.81
30	5.71
31	5.63

As charted in indigo, Henry Hub daily spot prices in December 2008 averaged \$5.83, continuing their fall from the July 2, 2008, annual peak of \$13.31/MMBtu and the November 2008 average of \$6.70/MMBtu. For comparison, 2006 and 2007 spot prices for the month of December averaged \$6.74 and \$7.11, respectively. Demand destruction, caused by the deepening economic recession, and increased domestic natural gas supplies are largely responsible for these declining price trends.

Natural Gas Daily Spot Prices

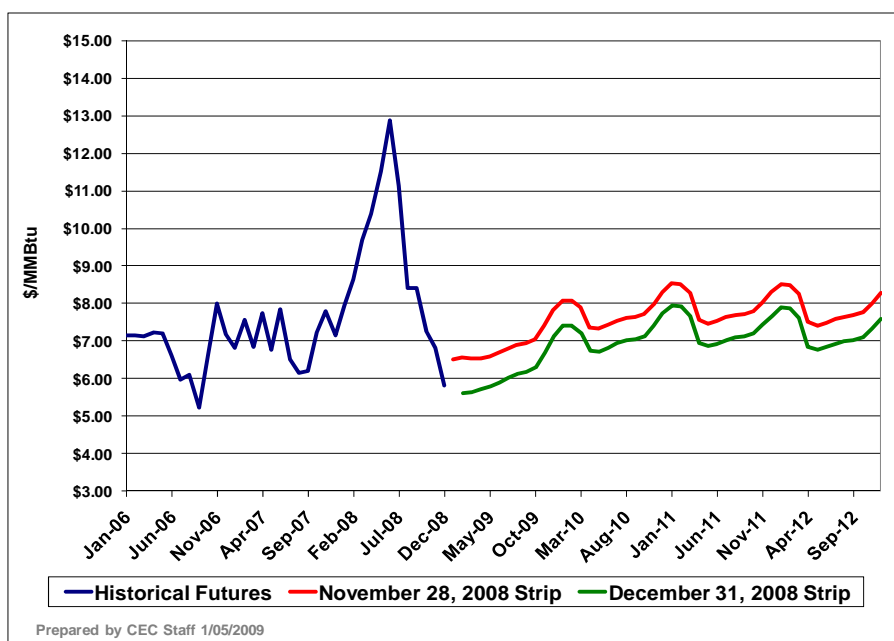


Daily Data

Dec	Topock	PG&E Citygate	PG&E Malin
1	5.60	6.36	5.98
2	5.66	6.53	6.08
3	5.43	6.27	5.86
4	5.50	6.25	5.94
5	4.76	5.83	5.42
8	5.08	5.70	5.33
9	5.18	5.79	5.35
10	5.34	5.98	5.65
11	5.43	6.02	5.65
12	5.24	5.91	5.60
15	5.71	7.23	6.76
16	5.99	6.47	6.03
17	5.73	6.38	6.12
18	5.36	6.44	6.07
19	5.54	6.27	5.98
22	5.23	5.98	5.62
23	5.09	5.89	5.44
24	5.16	5.99	5.61
29	5.76	6.28	5.84
30	5.45	6.08	5.75
31	5.11	5.91	5.55

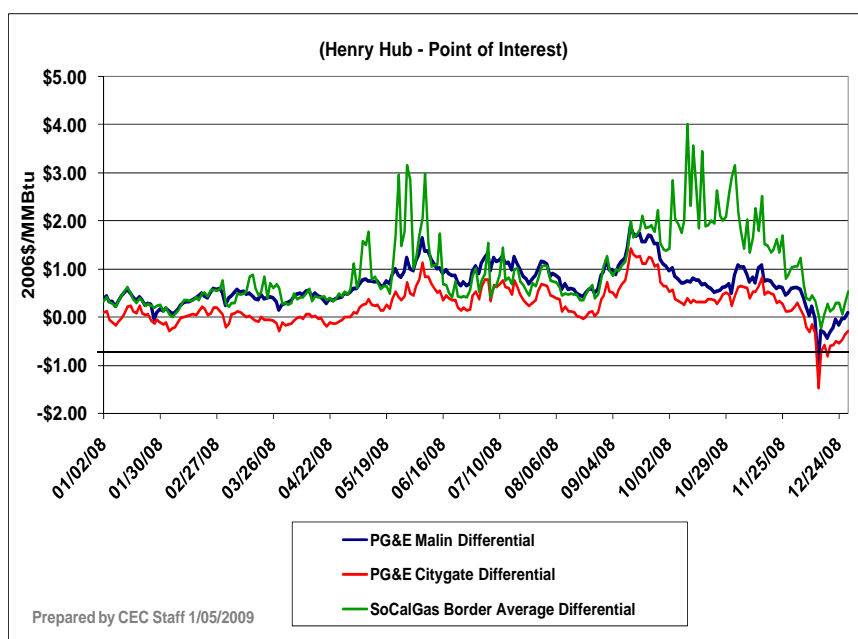
While spot prices at the Henry Hub pricing point continue month-to-month declines, spot prices at the PG&E Citygate and Malin pricing points, charted respectively in indigo and pink, have flattened out around \$6/MMBtu over the past two months. SoCalGas Border Average prices, charted in green, recovered from their October and November plunge, and returned in December 2008 to the smaller differentials of less than \$1/MMBtu from the two PG&E price trends. The SoCalGas Border Average price plunge and its causes were discussed in the October 2008 issue of this report.

Historical & Forward NYMEX Natural Gas Settlement Prices



December 31, 2008, prices for futures strips traded on the NYMEX, as charted in green, averaged \$6.96/MMBtu, falling to their lowest values of the past six strips charted in this and previous issues of this report; the earliest strip of which dates to September 26, 2008. The futures strip on that date averaged about \$8.50/MMBtu. Common to all six recent futures strips is the belief among traders that, beyond the summer of 2010, seasonal trends will favor higher prices in the winter, and that prices through December 2012 will remain flat, after adjusting for seasonal variation.

Basis Differentials from Spot Prices at Henry Hub, Louisiana



All three basis differentials plummeted in mid-December as natural gas prices shot as much as \$1/MMBtu over Henry Hub spot prices on December 15. The PG&E Malin and Citygate basis differentials, charted respectively in indigo and red, led Western price spikes above Henry Hub prices. The cold snap that swept across most of North America drove consumption of natural gas up to fuel space heating equipment in the frigid West. However, because the cold snap did not reach the heavily populated areas of the Northeast U.S. until about two days later, Henry Hub prices recorded much smaller gains than these three points into California. Finally, the high sendouts of natural gas from PG&E and SoCalGas storage, discussed above, added to Rockies and other Western supplies, depressing Western prices enough to approach parity with Henry Hub by the end of December.

Source Data:

www.pge.com • <http://www.nymex.com> • <https://ejenvoy.sempira.com> • <https://www.theice.com>

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